



**Carl M. Metzger**

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## MEMORANDUM

**TO: Honorable Mayor & City Councilors**

**DATE: October 28, 2010**

**RE: Modified Franchise Fee/Property Tax Proposal**

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I would like to modify my recommendation for a utility franchise fee. The modification offers another finance option—a hybrid approach—this option pays for both fire and police staffing needs with revenue from a franchise fee and raises property taxes to pay for the capital improvements financial plan.

Last Monday the City Council had an important discussion regarding a franchise fee proposal as an alternate method of funding the staffing of fire station #2 and the 2011-2015 capital improvements plan. The proposal achieves the Council's budget priorities related to staffing and diversification of revenue.

Monday's discussion offered numerous perspectives on a possible solution and ignited additional discussion regarding staffing plans for police officers. Councilor Block was interested in examining a hybrid approach that included a property tax increase and implementation of a franchise fee. The following is an attempt to meet that request with an additional proposal to resolve the City's public safety staffing issues and capital improvements financial plan for the foreseeable future.

The hybrid option below provides adequate funding to address the public safety issues the mayor and council have been wrestling with for the past five years.

### **3% Franchise Fee - Public Safety Staffing**

This proposal would generate approximately \$1.2 million and provide support for:

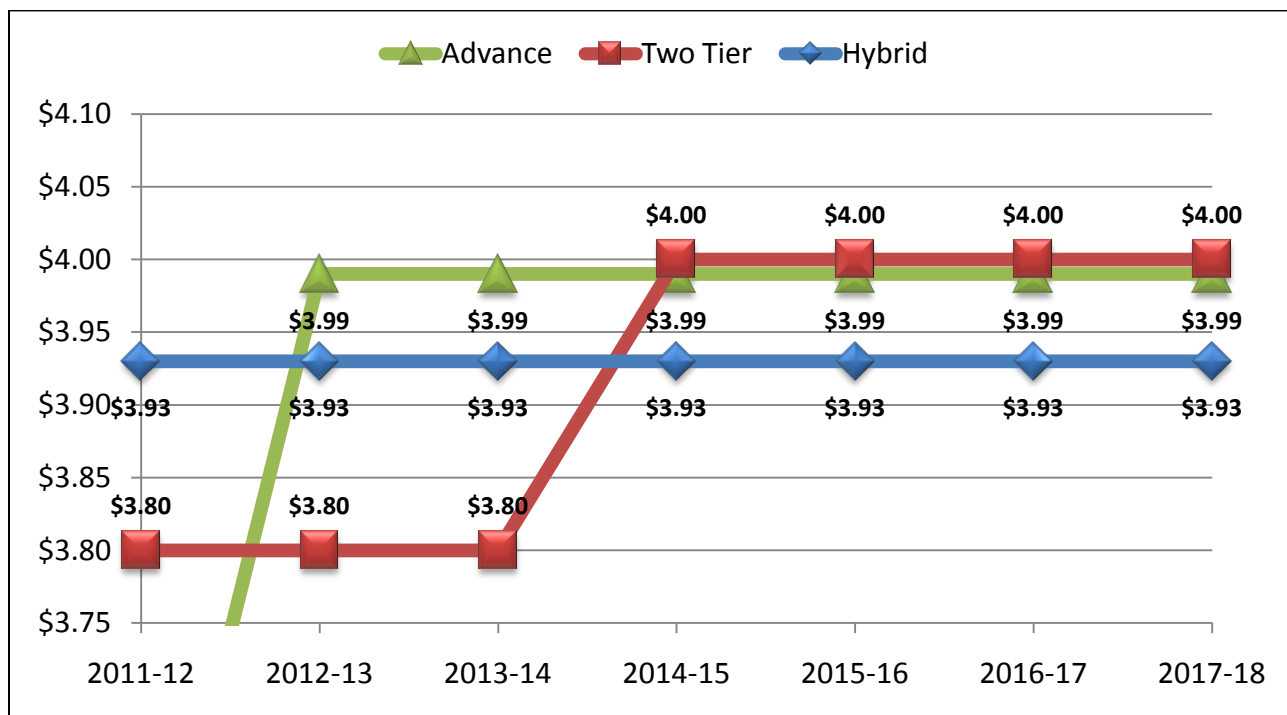
- ✓ The hiring of nine firefighter/paramedics to provide staffing for an engine company at Fire Station #2
- ✓ The hiring of six police officers, staggered throughout the next fiscal year, to provide sufficient resources for adequate patrol and investigative services.

If the Council were to support a 3% Franchise Fee enough resources would be available to address all public safety staffing issues and allow the Council to achieve two stated goals identified during your most recent goal setting session in August.

### \$0.43 Property Tax Increase – Capital Improvements Plan

Following the Council's discussion last Monday it became apparent the Council would rather consider a debt service levy option as a means of supporting the five year Capital Improvements Plan (CIP). Similar to providing an additional option as above with the Franchise Fee, I offer an additional debt service levy option for the Council to consider in combination with the Franchise Fee proposal above. If the Council was interested in addressing the debt service levy immediately and resolving it for the foreseeable future the Council could choose to increase the debt service levy by \$0.43 in FY 2012, increasing the debt service levy rate to \$3.93, thereby increasing the City's consolidated levy to \$11.60. The \$0.43 increase for debt service would provide adequate resources to fund the proposed 2011-2015 CIP and depending on the trends of taxable valuation could provide sufficient support for future CIP's.

Therefore, below is an update to the slide shown last Monday with the debt service levy options. The graph includes the new "Hybrid" option and removes the "Maintenance" option, based on an informal sense of the council last Monday night not to give further consideration to this option.



### Summary/Recommendation

Based on the above proposal, my modified recommendation is for a 3% Electric & Gas Franchise Fee to support the public safety staffing plans and an increase in the debt service levy of \$0.43 to provide sufficient resources to fund the 2011-2015 Capital Improvement Plan. These two actions in combination allow the Council to resolve the major budget issues facing the City for the foreseeable future. In addition, if the Council so desires, the City would be in a position to approve a resolution locking in the consolidated property tax levy for the City at \$11.60 for at minimum the next three years.

Mayor and council support for whichever option is determined to be the most effective is critical in building public awareness and understanding as this process move forward.  
If the Council is agreeable to this proposal the following is a timeline of actions needed to implement the proposal:

- 11/01/10** - Approve Revenue Purpose Statement for an Electric & Gas Franchise Fee
  - Approve notice of hearing for the Franchise Fee Ordinance
- 11/15/10** - Hold public hearing on Franchise Fee Ordinance
  - Approve first reading of Franchise Fee Ordinance
  - Approve 2011-2015 Capital Improvements Plan
  - Approve resolution selecting the "Hybrid" debt service levy option
- 12/06/10** - Approve second reading of Franchise Fee Ordinance
- 12/20/10** - Approve third reading of Franchise Fee Ordinance
- 03/07/11** - Hold public hearing on FY 2012 Budget
  - Approve FY 2012 Budget including \$0.43 debt service levy increase
  - Approve resolution stating Council policy of \$11.60 as maximum for the City's consolidated property tax levy for the next three years
- 05/01/11** -Mid-American Energy begins charging of franchise fee on Ankeny electric and gas customers

I feel the above proposal/option is the most responsible method for achieving the Council's desired Goals. I look forward to a discussion of this option during council deliberations on a Franchise Fee Revenue Purpose Statement and Notice of Hearing on the Franchise Fee Ordinance. Your questions are welcome any time.

Respectfully Submitted,



Carl M. Metzger, City Manager